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# Rewald's 'CIA defense' cut

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A federal judge sharply cut back Ronald Rewald's "CIA defense" yesterday and rejected last-minute pleas by Rewald to delay or move his Aug. 5 trial.

Rewald, charged with 96 counts of fraud, tax evasion, perjury and securities violations in connection with the July 1983 collapse of Bishop Baldwin Rewald Dillingham & Wong, says the CIA created, ran and destroyed the firm.

Lawyers for both sides revealed in argument yesterday that Rewald will still be able to point to some admitted CIA use of his firm as a "commercial cover" or mail drop and telephone backstop for undercover agents.

But they also made clear that U.S. District Court Judge Harold Fong had quashed

an undisclosed number of subpoenas that would have brought several CIA officials into court, and that Fong had ruled out some of the evidence the CIA might have been asked about.

The CIA-related matters were ruled on by Fong in a hearing closed to the public because it dealt with national security matters.

Later yesterday, in open court, Judge Fong denied a motion by the government to "sever" the four perjury counts and try them at a later date — a step which would have further reduced CIA-related evidence in the case.

Judge Fong said that request came too late.

Rewald's attorney, federal Public Defender Michael Levine, asked the court for another three months to prepare for trial, saying he and his co-counsel could not

give Rewald a competent defense if trial began Aug. 5.

He asked to be relieved from representing Rewald if he were forced to go to trial next month.

Judge Fong said he believed that Levine, appointed to the case last September, was prepared. The judge said jury selection will begin Aug. 5, here as scheduled, with Levine representing Rewald.

Assistant U.S. Attorney John Peyton suggested Levine only asked for more time because he had made a tactical decision to pursue the CIA defense instead of examining the thousands of financial records the government will use in its fraud case.

Levine acknowledged that the CIA evidence is important to Rewald's defense,

but said he had not been able to pursue either the CIA connection or the financial records as far as he wanted.

Levine, repeating charges the Hawaii media have saturated the citizenry with information suggesting Rewald is guilty, again asked in vain to transfer the trial elsewhere.

Judge Fong said there appeared to be publicity about both sides of the case and said he would not move the trial unless he finds during questioning of prospective jurors that an impartial jury cannot be empaneled here.

Levine was clearly disappointed by the rulings, but would not comment on what CIA-related information was ruled out of the case.

Special U.S. Attorney Theodore Greenberg, in argument before the court, said the court had found "an insignificant portion of classified information . . . to be relevant to the fraud counts" and "not much more" relevant to the perjury charges.

Greenberg indicated that the court will allow evidence in the fraud portion of the trial on whether the CIA "reimbursed Bishop Baldwin the \$5.5 million Rewald spent on himself, for cars and women and polo ponies and what have you."

Witnesses will testify that no such reimbursement was ever promised or given, he said.

On the perjury counts, the court will allow testimony on whether onetime CIA Honolulu station chief Eugene Welch told Rewald to create and operate the company for the CIA, Greenberg indicated. The government is prepared to produce 10 witnesses and 330 documents to prove that the "CIA connection" was \$2,800 worth of reimbursements for a telephone and telex answering service, he said.

The bulk of the trial, involving close to 200 witnesses and between 3,000 and 5,000 documents, will deal with the financial transactions at the firm, Greenberg said.

The entire trial is now expected to take three or four months.

Greenberg said Rewald at one point had indicated a desire to simply acknowledge the financial transactions without testimony and then move straight to the CIA-related witnesses.

Greenberg, attempting to sever the perjury charges and reduce the CIA-related issues in the trial, said "the whole issue of CIA involvement obscures

the real issue . . . Rewald's intent to defraud. We have the tail wagging the dog."

But Judge Fong said the government conceded that "much of the so-called CIA evidence" was already present in the

fraud case. And, the judge said, it would waste time and put an undue burden on Rewald to have two trials.

At another point, Judge Fong said it appeared that there were figuratively two cases being tried Aug. 5.

The government on the one hand is trying to prosecute Rewald for fraud, while the defense may have decided that "the best defense is a good offense" and put the CIA at "the very heart of its defense," Judge Fong said.